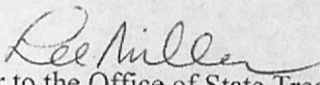


## MEMORANDUM

TO: Advisory Council to the PACT Board of Directors

FROM: Lee Miller   
Legal Advisor to the Office of State Treasurer

SUBJECT: Request to Waive PACT Rules 8.01 and 8.02

PACT CONTRACT: Lara Watts, Purchaser  
Austin Watts, Beneficiary  
PACT Contract No. 9000xxxxx7

DATE: November 17, 2014

Ms. Lara Watts, Purchaser of the above-referenced PACT Contract, requests relief from the operation of PACT Rules 8.01 and 8.02 which govern the cancellation and reinstatement of PACT contracts. PACT Rule 10.00 provides that "Any aggrieved Contract Purchaser desiring to petition for relief from the Rules may do so by submitting a written petition to the Board." Ms. Watts (hereinafter "the Petitioner") has complied with the provisions of Rule 10.00.

### Facts

The Petitioner purchased the above-reference PACT Contract on October 11, 2000. By letter dated September 3, 2014, she was notified that monthly payments were 180 days past due and, in order to keep the PACT Contract in force, she should pay the delinquent monthly payments and late fees. When no payment was received by October 1, 2014, the Petitioner was provided written notice that the PACT Contract was cancelled and that she was entitled to a refund in the amount of \$16,470.00. A state warrant in the amount of \$16,470.00 was issued to the Petitioner but, as of this date, has not been redeemed.

PACT Rule 8.01 states that "A PACT Contract will automatically be cancelled and a refund issued if PACT Contract payments are 6 months (180 days) in default or if no payment is received within 45 days of the first payment due date." PACT Rule 8.02 states that "A PACT Contract cannot be reinstated after cancellation."

The MasterPACT Contract in effect when the Petitioner purchased the referenced contract provides, at Section 10.08, that "The State Treasurer may waive portions of these Rules, Regulations and Procedures to prevent hardship of the Purchaser or of the Qualified Beneficiary."

### **Discussion**

By her petition dated October 30, 2014, the Petitioner alleges that she suffered financial hardship and difficulty during the time that the subject contract went into default and was unable to make the monthly payments. This difficulty was based in large part on a failed business and state tax issues. She expresses regret that she was unable to make the monthly payments during that period of time. The record contains nothing to contradict or dispute her claims of financial hardship.

In her Petition to waive the provisions of PACT Rules 8.01 and 8.02, the Petitioner requests that the PACT Contract be reinstated and states that she will pay the remaining contract amount plus all fees due and owing.

If the Petitioner has not redeemed the state warrant previously issued and returns the warrant, the amount required for reinstatement of the PACT Contract would be \$1,011.00. If the warrant has been redeemed, then the total amount needed for reinstatement would be \$17,481.00.

### **Conclusion**

After considering the facts presented by the Petitioner, the application of the PACT Rules and the MasterPACT Contract provisions to those facts, the Advisory Board may recommend that the referenced PACT Contract be reinstated upon payment of the amounts due.



October 1, 2014

Mrs. Lara L Watts  
352 Dogwood Trail  
Alabaster, AL 35007

**RE: Account Number:** [REDACTED] 9237  
**Beneficiary Name:** Austin G Watts

### CANCELLATION

Dear Mrs. Watts:

Unfortunately, the above referenced account is at least six months in default. Accordingly, your account has been cancelled. You are entitled to a refund of the "Redemption Value" of your contract defined as the sum of all contract payments less any outstanding administrative fees and payments made to postsecondary institutions on behalf of the beneficiary. A cancellation fee of \$75 is also deducted. A summary of your refund is as follows:

	<b>Contract Payments Received:</b>	<b>\$17,217.00</b>
<b>Less</b>	<b>Account Maintenance Fees:</b>	<b>492.00</b>
<b>Less</b>	<b>Administrative Fees Owed:</b>	<b>180.00</b>
<b>Less</b>	<b>Benefits Paid:</b>	<b>0.00</b>
<b>Less</b>	<b>Cancellation Fee:</b>	<b>75.00</b>
	<b>Total Refund Amount:</b>	<b>\$16,470.00</b>

Your refund will be sent to you within six weeks of this letter.

Sincerely,

Chad Wright  
Director, College Savings Program